

MACON TOWNSHIP

Britton, Michigan

FINANCIAL STATEMENTS

**For The Year Ended
March 31, 2004**

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Macon Township		County Lenawee	
Audit Date 3/31/04		Opinion Date 6/10/04		Date Accountant Report Submitted to State: 8/31/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|---|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Zip 48605		Accountant Signature <i>Rehmann Robson</i>	

MACON TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

June 10, 2004

Township Board
Macon Township
Britton, Michigan

We have audited the accompanying general purpose financial statements of **MACON TOWNSHIP, MICHIGAN** as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Macon Township, Michigan, as of March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements and schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Macon Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Rehmann Robson

GENERAL PURPOSE FINANCIAL STATEMENTS

MACON TOWNSHIP
Combined Balance Sheet
All Fund Types and Account Group
March 31, 2004

	<u>Governmental Fund</u>	<u>Fiduciary Fund</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum Only)</u>
<u>ASSETS</u>	<u>General</u>	<u>Trust and Agency</u>		
Assets				
Cash and cash equivalents	\$ 160,271	\$ 163,305	\$ -	\$ 323,576
Investments	104,003	-	-	104,003
Taxes receivable	3,566	-	-	3,566
Due from other governments	13,252	-	-	13,252
Due from other funds	79,804	-	-	79,804
Property and equipment	-	-	62,742	62,742
<u>TOTAL ASSETS</u>	<u>\$ 360,896</u>	<u>\$ 163,305</u>	<u>\$ 62,742</u>	<u>\$ 586,943</u>
<u>LIABILITIES AND FUND EQUITIES</u>				
Liabilities				
Due to other funds	\$ -	\$ 79,804	\$ -	\$ 79,804
Due to others	-	83,501	-	83,501
<u>TOTAL LIABILITIES</u>	<u>-</u>	<u>163,305</u>	<u>-</u>	<u>163,305</u>
Fund Equities				
Investment in general fixed assets	-	-	62,742	62,742
Fund balances - unreserved:				
Designated for subsequent year's expenditures	42,220	-	-	42,220
Undesignated	318,676	-	-	318,676
<u>TOTAL FUND EQUITIES</u>	<u>360,896</u>	<u>-</u>	<u>62,742</u>	<u>423,638</u>
<u>TOTAL LIABILITIES AND FUND EQUITIES</u>	<u>\$ 360,896</u>	<u>\$ 163,305</u>	<u>\$ 62,742</u>	<u>\$ 586,943</u>

The accompanying notes are an integral part of these financial statements.

MACON TOWNSHIP
Statement of Revenue, Expenditures and
Changes in Fund Balance
Governmental Fund Type
For the Year Ended March 31, 2004

	Governmental Fund General
Revenues	
Taxes	\$ 83,250
Licenses and permits	5,485
Intergovernmental revenue	99,759
Charges for services	2,513
Interest revenue	2,589
Miscellaneous revenue	528
	<hr/>
Total revenues	194,124
	<hr/>
Expenditures	
General government	99,009
Public safety	20,703
Highways and streets	67,669
Planning	1,161
	<hr/>
Total expenditures	188,542
	<hr/>
Revenues over expenditures	5,582
	<hr/>
Fund balance, beginning of year	355,314
	<hr/>
Fund balance, end of year	\$ 360,896
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

MACON TOWNSHIP
Statement of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 79,870	\$ 83,250	\$ 3,380
Licenses and permits	8,000	5,485	(2,515)
Intergovernmental revenue	106,690	99,759	(6,931)
Charges for services	2,400	2,513	113
Interest revenue	900	2,589	1,689
Miscellaneous revenue	-	528	528
Total revenues	<u>197,860</u>	<u>194,124</u>	<u>(3,736)</u>
Expenditures			
General government	111,312	99,009	12,303
Public safety	22,000	20,703	1,297
Highways and streets	80,000	67,669	12,331
Planning	1,500	1,161	339
Total expenditures	<u>214,812</u>	<u>188,542</u>	<u>26,270</u>
Revenues over (under) expenditures	(16,952)	5,582	22,534
Fund balance, beginning of year	<u>355,314</u>	<u>355,314</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 338,362</u></u>	<u><u>\$ 360,896</u></u>	<u><u>\$ 22,534</u></u>

The accompanying notes are an integral part of these financial statements.

MACON TOWNSHIP

Notes To Financial Statements

1. REPORTING ENTITY

In accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 14, certain other governmental organizations may be considered to be part of the reporting entity for financial statement purposes. The criteria established by GASB Statement No. 14 for the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibilities and financial accountability.

In this regard, there are no other governmental organizations associated with Macon Township (the "Township") subject to the above criteria nor are there any other governmental organizations in existence. All funds and account groups of the reporting entity are included in the general purpose financial statements as presented.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial activities of the Township are recorded in separate funds and an account group, categorized and described as follows:

Governmental Fund:

General Fund:

This Fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived primarily from property taxes and State distributions, grants and other intergovernmental revenues. The General Fund accounts for the general operating expenditures not recorded elsewhere.

Fiduciary Funds:

Trust and Agency Fund:

This Fund is used to account for assets held as an agent for others. The Township maintains one agency fund.

Account Group:

General Fixed Assets Account Group:

This Account Group presents the fixed assets of the Township utilized in its general operations (non-proprietary fixed assets).

MACON TOWNSHIP

Notes To Financial Statements

BASIS OF ACCOUNTING

The Governmental and Agency Fund Types utilize the modified accrual basis of accounting. Under this method, revenues are recorded when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenue when available to finance current operations. Revenues susceptible to accrual include expenditure reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

PROPERTY AND EQUIPMENT

Effective March 31, 1984, the General Fixed Assets Group of Accounts was created by estimating assets historical costs for items purchased and expensed within operating funds during prior years. Purchases of capital items subsequent to March 31, 1984, are expensed within operating funds and recorded within the General Fixed Assets Group of Accounts at historical cost. No depreciation has been provided on general fixed assets.

BUDGETS

The governmental fund is under formal budgetary control. Budgets shown in the financial statements were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those contained in the formal budget approved by the Township Board. Budgetary control is exercised at the activity level. The Township Clerk is authorized to transfer budget amounts between line items within an activity, however, any supplemental appropriations that amend total expenditures of any activity require Township Board resolution. Unexpended appropriations lapse at year end.

MACON TOWNSHIP

Notes To Financial Statements

RESERVES AND DESIGNATIONS

Portions of fund equity are segregated for future use, and are therefore not available for future appropriation or expenditure. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific use. Designations of fund balances in governmental funds indicate Township management's tentative plans for use of financial resources in a future period. Amounts designated for subsequent year's expenditures represent budgeted expenditures in excess of budgeted revenues for the ensuing fiscal year. There was a designation of \$42,220 for subsequent expenditures and no reservations of fund balances at March 31, 2004.

PROPERTY TAX REVENUE

Property tax revenue is normally recognized in the year for which taxes have been levied, provided they are collectible during that year or within 60 days following that fiscal year's end.

SICK AND VACATION BENEFITS

All Township employees are working on a part-time basis and, therefore, no sick time or vacation time benefits are paid to the employees.

MEMORANDUM ONLY - TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

MACON TOWNSHIP

Notes To Financial Statements

3. GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance - Beginning of Year	Additions	(Deletions)	Balance - End of Year
Office equipment	\$ 15,577	\$ -	\$ -	\$ 15,577
Village buildings and land	<u>47,165</u>	<u>-</u>	<u>-</u>	<u>47,165</u>
Total fixed assets	<u>\$ 62,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,742</u>

4. PROPERTY TAXES

The Township property tax is levied each December 1 on the assessed valuation of property located in the Township as of the preceding December 31, the lien date. Real and personal property in the Township of Macon for the 2003 levy had a taxable value of \$46,538,736, as assessed by the County. The Township's general operating tax rate for fiscal year 2003-04 was .8268 mill and .9596 mill for the Township Roads.

5. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2004, the government carried commercial insurance to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

MACON TOWNSHIP

Notes To Financial Statements

6. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements for the general fund, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level.

During the year ended March 31, 2004, the Township incurred expenditures in excess of appropriations at the legal level of control as follows:

	<u>Amended Budget</u>	<u>Expenditure Amount</u>
Drains	\$ 8,000	\$ 8,066

7. CASH AND CASH EQUIVALENTS

Deposits and Investments

Cash and cash equivalents and investments on the combined balance sheet is comprised entirely of deposits in the amount of \$427,579.

The bank balance of these deposits was \$427,704, of which \$200,000 was insured by the Federal Depository Insurance Corporation (FDIC), and the balance of \$227,704 was uninsured and uncollateralized.

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**INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

GENERAL FUND

MACON TOWNSHIP
General Fund
Schedule of Expenditures, Compared to Budget
For the Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
General government			
Township Board	\$ 3,612	\$ 3,205	\$ 407
Supervisor	14,865	14,865	-
Elections	1,100	504	596
Clerk	12,728	11,659	1,069
Professional services	2,500	1,415	1,085
Treasurer	12,728	12,449	279
Assessor	8,942	8,942	-
Inspectors	8,025	5,907	2,118
Township Hall Caretaker	2,436	2,436	-
Board of Review	900	741	159
Cemetery	12,150	12,150	-
Drains	8,000	8,066	(66)
Miscellaneous	<u>23,326</u>	<u>16,670</u>	<u>6,656</u>
Total general government	<u>111,312</u>	<u>99,009</u>	<u>12,303</u>
Public safety			
Fire	<u>22,000</u>	<u>20,703</u>	<u>1,297</u>
Highways and streets	<u>80,000</u>	<u>67,669</u>	<u>12,331</u>
Planning			
Zoning	<u>1,500</u>	<u>1,161</u>	<u>339</u>
Total appropriations and expenditures	<u><u>\$ 214,812</u></u>	<u><u>\$ 188,542</u></u>	<u><u>\$ 26,270</u></u>

FIDUCIARY FUND

MACON TOWNSHIP
Balance Sheet
Current Tax Collections Agency Fund
March 31, 2004

	<u>Agency</u> <u>Current Tax</u> <u>Collections</u>
<u>ASSETS</u>	
Assets	
Cash and short-term investments	<u>\$ 163,305</u>
<u>LIABILITIES</u>	
Liabilities	
Due to other funds	\$ 79,804
Due to others	<u>83,501</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 163,305</u>

MACON TOWNSHIP
Statement of Changes in Assets and Liabilities
Current Tax Collections Agency Fund
For the Year Ended March 31, 2004

	<u>Balance - Beginning of year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance - End of year</u>
Assets				
Cash and investments	<u>\$ 437,719</u>	<u>\$ 759,191</u>	<u>\$ 1,033,605</u>	<u>\$ 163,305</u>
 Liabilities				
Due to other funds	\$ 77,148	\$ 79,804	\$ 77,148	\$ 79,804
Due to others	<u>360,571</u>	<u>679,387</u>	<u>956,457</u>	<u>83,501</u>
 Total Liabilities	<u>\$ 437,719</u>	<u>\$ 759,191</u>	<u>\$ 1,033,605</u>	<u>\$ 163,305</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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June 10, 2004

To the Board of Directors
Macon Township
Britton, Michigan

We have audited the general purpose financial statements of ***Macon Township*** for the year ended March 31, 2004, and have issued our report thereon dated June 10, 2004. Professional standards require that we provide you with the following information related to your audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 25, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Macon Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Macon Township are described in Note 1 to the general purpose financial statements.

We noted no transactions entered into by Macon Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed (all of which were recorded by the Township), either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Macon Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum are intended for the use of the Township Board and management of Macon Township and the Michigan Department of Treasury. However, this report is a matter of public record, and its distribution is not limited.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

MACON TOWNSHIP

Accounting Memorandum

For the Year Ended March 31, 2004

During our audit we became aware of certain issues regarding internal controls, compliance, and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated June 10, 2004 on the financial statements of Macon Township.

Contributions to Other Governments

The Township makes contributions to surrounding governments for cemetery and fire services. However, written agreements are in not place for all services to be provided. We recommend that the Township enter into written agreements for such services.

Contribution to BD Sports

During the year ended March 31, 2004, the Township contributed \$1,000 to BD Sports. This contribution does not appear to be a proper expenditure for a governmental unit. The Township is allowed to contract with local organizations for services (such as for recreational services for Township residents), but contributions do not appear to be proper use of funds.

GASB #34 – New Reporting Requirements

By now, most Townships have heard of the major changes in governmental accounting that will be required by GASB #34. These significant changes will include the following:

- ❖ A new government wide financial statement reporting on the full accrual basis of accounting, which will accompany the traditional reporting model (on a modified accrual basis)
- ❖ Modification of the manner in which the traditional model will be reported
- ❖ Inclusion of a new narrative section entitled “Management Discussion and Analysis” which will present summarized financial results and inform the user of the financial statements of significant financial developments at the Township during the year

MACON TOWNSHIP

Accounting Memorandum

For the Year Ended March 31, 2004

As with all governmental units, we are recommending that the Township develop an implementation plan which will identify the major areas affecting your financial statements, and provide for a timeline for implementation of the required changes. We anticipate that the Township's biggest obstacle will be to develop a detailed listing of fixed assets and the depreciation on those items. We anticipate that these requirements will require a substantial undertaking for the Township, and we are available to assist the administration in complying with these new standards.

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